

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE FLEET ANTI-SUBMARINE
WARFARE TRAINING CENTER PACIFIC,
SAN DIEGO, CALIFORNIA**

Report No. 96-135

May 30, 1996

Department of Defense

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Acronyms

ASW
BRAC
MILCON

Anti-Submarine Warfare
Base Realignment and Closure
Military Construction



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



May 30, 1996

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)**

**SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for
the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego,
California (Report No. 96-135)**

We are providing this audit report for review and comment. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all audit recommendations and potential monetary benefits be resolved promptly. Because the Navy did not provide comments on a draft of this report, we request that the Navy provide comments on the final report by July 1, 1996.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Garold E. Stephenson, Audit Program Director, at (703) 604-9332 (DSN 664-9332) or Mr. Eugene E. Kissner, Audit Project Manager, at (703) 604-9323 (DSN 664-9323). See Appendix F for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-135
(Project No. 6CG-5001.28)

May 30, 1996

Defense Base Realignment and Closure Budget Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California

Executive Summary

Introduction. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with Defense base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Office of the Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. Our audits include all projects valued at more than \$1 million.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of project P-387T, "Gymnasium," valued at \$3.4 million, for a gymnasium and supporting facilities at Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California.

Audit Results. The Navy did not accurately estimate and support the Defense base realignment and closure military construction space requirements and costs for the construction of the gymnasium at the Fleet Anti-Submarine Warfare Training Center Pacific in a DD Form 1391, "FY 1996 Military Construction Project Data," submitted in August 1994. Consequently, the Navy overstated the project and cost requirements by \$910,000. Additionally, we were unable to validate the estimated project costs of \$720,000 for supporting facilities. Further, a draft revised DD Form 1391, "FY 1997 Military Construction Project Data," dated February 6, 1996, for the gymnasium contained \$669,310 of overstated requirements.

See Part I for a discussion of the audit results. See Appendix D for a summary of invalid or partially invalid requirements for the project we reviewed.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place the project for the gymnasium and supporting facilities on administrative withhold until the Navy submits a revised DD Form 1391, "FY 1997 Military Construction Project Data," reflecting valid construction requirements and costs. In addition, we recommend that the Navy revise cost estimates and resubmit the DD Form 1391 for project P-387T to reflect the accurate space requirements and costs.

Management Comments and Audit Response. The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and will place the funds associated with the project at issue on administrative withhold pending audit resolution. See Part I for a discussion of the management comments and Part III for the complete text of the management comments. The Navy did not respond to a draft of this report. Therefore, we request the Navy to provide comments on the final report by July 1, 1996.

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Part I - Audit Results

Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing various audits of the Defense base realignment and closure (BRAC) process. This report is one in a series of reports about FY 1997 BRAC military construction (MILCON) costs. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix C. See Appendix D for a summary of invalid and partially valid requirements for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective.

This report provides the results of the audit of project P-387T, "Gymnasium," valued at \$3.4 million, for the Fleet Anti-Submarine Warfare Training Center, San Diego, California, resulting from the closure of Naval Training Center San Diego. See Appendix A for a discussion of the scope and methodology and Appendix B for a summary of prior coverage related to the audit objectives. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Requirement for Gymnasium Facility

The Navy overestimated the space requirements for the gymnasium included in project P-387T, "Gymnasium," by 7,000 square feet (650 square meters). Additionally, the estimated costs for supporting facilities included in the DD Form 1391 were not supported. The inaccurate estimates occurred because the Navy included space requirements in the proposed gymnasium for training areas that already exist. The costs for supporting facilities were not supported because the Navy prepared the estimate before the Naval Facilities Engineering Command Southwest Division performed a site survey to identify supporting facilities requirements. As a result, the Navy overstated project P-387T costs by \$910,000, and we were unable to validate the unsupported cost estimates of \$720,000 for supporting facilities.

Guidance for Establishing and Supporting Space Requirements

Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, establishes funds to be used for the closure and realignment of military units and support facilities. Section 2905 of Public Law 101-510 states that military construction funds from the Defense Base Closure Account should be used only for facility construction or renovation actions that may be necessary to close or realign a military installation. The Defense Base Closure Account should not be used to fund replacement of existing facilities that are not affected by a base closure or realignment.

Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," October 1982, provides general guidance for computing size requirements and costs for gymnasium facilities.

Proposed Gymnasium Facility

The Fleet Anti-Submarine Warfare Training Center Pacific (the ASW Training Center), San Diego, California, proposed, as project P-387T, "Gymnasium," the construction of a new gymnasium facility to replace gymnasium facilities that will not be available to Navy personnel after the Naval Training Center San Diego closes in June 1997. The Naval Training Center San Diego gymnasium facilities are about a mile from the ASW Training Center and

Requirement for Gymnasium Facility

are used by ASW Training Center personnel and other Navy personnel in the Point Loma, California, area. On August 12, 1994, the ASW Training Center submitted a DD Form 1391, "FY 1977 Military Construction Project Data," for an 18,000-square-foot (1,672-square-meter) gymnasium and supporting facilities, valued at \$3.4 million. Included are \$2,340,000 for a gymnasium; \$720,000 for supporting facilities; \$150,000 for contingencies; and \$190,000 for supervision, inspection, and overhead.

Space Requirements and Unsupported Costs

Proposed Gymnasium. Included on the DD Form 1391 was \$2,340,000 for an 18,000-square-foot gymnasium. The cost estimate per square foot was \$130, based on the Naval Facilities Engineering Command Guidance Unit Cost Factor for a gymnasium (\$110); the Military Handbook 1010, "Cost Engineering Policies and Procedures," size adjustment factor (1.02); and the Tri-Service Committee on Cost Engineering's area cost factor for San Diego (1.16).

Space Requirements. The ASW Training Center overestimated space requirements for the proposed gymnasium facility by 7,000 square feet because management included space for training areas that already exist at the ASW Training Center. The ASW Training Center included in its space requirements for the proposed gymnasium a 950-square-foot aerobics exercise area, a 1,600-square-foot cardiovascular training area, a 1,550-square-foot weight training area, an 800-square-foot playing court, and about 2,080 square feet of related activity and building support areas. Similar training areas already exist at the ASW Training Center. Those areas include a 1,617-square-foot aerobics exercise area in building 17, a 1,225-square-foot cardiovascular training area in building 30, a 2,627-square-foot weight training area in building 30, a 946-square-foot indoor playing court in building 65, and related activity and building support areas.

The existing training areas meet or exceed the size requirements specified in the Naval Facilities Engineering Command Publication P-80. Public Law 101-500 does not allow for the use of funds from the Defense Base Closure Account to replace existing facilities that are not affected by a base closure or realignment. As a result, the Navy overstated the costs for the proposed gymnasium facility by \$910,000. The ASW Training Center should submit a revised DD Form 1391 for project P-387T that does not include space requirements and costs for the training areas that the ASW Training Center already has.

Unsupported Costs. The ASW Training Center included a \$720,000 cost estimate for supporting facilities (utilities, road, and other site improvements) in the DD Form 1391. That cost estimate was not supported and could not be validated. The Naval Facilities Engineering Command Southwest Division (Southwest Division) prepared the estimate before Southwest Division

Requirement for Gymnasium Facility

performed a site survey to identify requirements. To prepare the estimate, Southwest Division took 30 percent of the \$2,340,000 estimated construction cost of the gymnasium facility and rounded the result to \$720,000. Southwest Division completed a site survey on May 19, 1995.

The ASW Training Center should submit a revised DD Form 1391 for project P-387T that includes a cost estimate for supporting facilities. The cost estimate should be supported by the documented site survey. As a result of the inaccurate space requirements and unsupported costs for the project, the Under Secretary of Defense (Comptroller) should place the project on administrative withhold until the ASW Training Center submits a revised DD Form 1391 that reflects accurate space requirements and cost estimates.

Changes Needed in Draft DD Form 1391

The ASW Training Center prepared a revised DD Form 1391 for project P-387T dated February 8, 1996, which had not been submitted for budget approval as of April 8, 1996. The draft revised DD Form 1391 is for a 17,947-square-foot (1,667-square-meter) gymnasium and supporting facilities, valued at \$4.5 million. The space requirements for the gymnasium are overstated because they include 3,988 square feet for the training areas that already exist at the ASW Training Center. The overstated space requirements (3,988 square feet) differ from the overstated space requirements (7,000 square feet) included in the approved DD Form 1391 submitted on August 12, 1994. The difference occurred because the Navy used incorrect base loading data for the number of enlisted personnel and made mathematical errors when calculating space requirements for the DD Form 1391 that was submitted in August 1994. The Navy used correct base loading data and calculations when preparing the draft revised DD Form 1391. Because existing training areas are incorrectly included in the space requirements for the project, the total cost (\$4.5 million) shown on the draft revised DD Form 1391 for project P-387T is overstated by \$669,310. The \$669,310 consists of \$601,310 for the 3,988 square feet that should not be included in the draft revised DD Form 1391 and \$68,000 for contingency, supervision, inspection, and overhead charges related to the 3,988 square feet.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense (Comptroller) place project P-387T, "Gymnasium," on administrative withhold until the Navy submits a revised DD Form 1391, "FY 1997 Military Construction Project Data," that accurately reflects space requirements and costs.

Management Comments. The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and will place the funds associated with the project at issue on administrative withhold pending audit resolution. Further, the Under Secretary will program any cost reductions resulting from the audit to other valid Defense base realignment and closure requirements as appropriate.

2. We recommend that the Commanding Officer, Fleet Anti-Submarine Warfare Training Center Pacific, submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," for project P-387T, "Gymnasium," that reflects valid space requirements and costs. It should not include space requirements and costs for training areas that already exist at the Fleet Anti-Submarine Warfare Training Center Pacific and should include a cost estimate for supporting facilities that is supported by the documented site survey.

Management Comments. The Navy did not comment on a draft of this report. Therefore, we request that the Navy provide comments in its response to the final report.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request, economic analysis, and supporting documentation for the construction of a gymnasium and supporting facilities at Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California. The proposed gymnasium is to replace the gymnasium facilities that will not be available to the Navy after the Naval Training Center San Diego, California, closes in June 1997. The estimated cost of project P-387T, "Gymnasium," is \$3.4 million.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from February 14, 1996, through April 5, 1996, in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix E lists the organizations visited or contacted during the audit.

Appendix B. Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This appendix lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-131	Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard	May 28, 1996
96-127	Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignments to Stewart Air National Guard Base, New York	May 23, 1996
96-122	Defense Base Realignment and Closure Budget Data for the Realignment of the Air Education and Training Command at Vandenberg Air Force Base, California	May 17, 1996
96-119	Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin	May 14, 1996
96-118	Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina	May 13, 1996
96-116	Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah	May 10, 1996
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Appendix D. Projects Identified as Invalid or Partially Valid

Table D-1. Causes of Invalid or Partially Valid Projects

<u>Project Location</u>	<u>Project Number</u>	<u>Causes of Invalid Projects</u>		<u>Causes of Partially Valid Projects</u>	
		<u>Overstated</u>	<u>Unsupported</u>	<u>Overstated</u>	<u>Unsupported</u>
Fleet Anti-Submarine Warfare Training Center	P-387T			X	X

Table D-2. Recommended Changes in Project Estimates

<u>Project Location</u>	<u>Project Number</u>	<u>Amount of Estimate on DD Form 1391 (thousands)</u>	<u>Recommended Amount of Change</u>	
			<u>Invalid Projects (thousands)</u>	<u>Partially Valid Projects (thousands)</u>
Fleet Anti-Submarine Warfare Training Center	P-387T	<u>\$3,400</u>		\$ 910 ¹ <u>720</u> ²
Total		\$3,400		\$1,630

Total Invalid and Partially Valid Projects

\$1,630

¹Overstated.

²Unsupported.

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC

Department of the Navy

Chief of Naval Education and Training, Pensacola, FL

Naval Training Center, San Diego, CA

Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, CA

Naval Facilities Engineering Command, Alexandria, VA

Southwest Division, San Diego, CA

Naval Submarine Base, San Diego, CA

Balboa Naval Hospital, San Diego, CA

Marine Corps Recruiting District, San Diego, CA

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Assistant to the Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy
Chief of Naval Education and Training
Commanding Officer, Fleet Anti-Submarine Warfare Training Center Pacific
Commander, Naval Facilities Engineering Command
Commander, Southwest Division

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Appendix F. Report Distribution

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Honorable Barbara Boxer, U.S. Senate
Honorable Dianne Feinstein, U.S. Senate
Honorable Duncan Hunter, U.S. House of Representatives

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER
(Program/Budget)

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



May 9, 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG


SUBJECT: DoD Quick-Reaction Report on Defense Base Realignment and Closure Budget
Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego,
California (Project No. 6CG-5001.28)

This responds to your April 19, 1996, memorandum requesting our comments on the subject report.

The audit states that the Navy did not accurately estimate the space requirements for project P-387T, "Gymnasium" at the Fleet Anti-Submarine Training Center Pacific, San Diego, California. Additionally, the estimated costs for supporting facilities could not be supported by the Navy. The audit contends that the inaccurate estimates occurred because the project included space requirements for training areas that already existed. Also, the estimate for the supporting facilities were prepared before a site survey to identify requirements was performed.

The audit recommends that the USD(Comptroller) place project P-387T on administrative withhold until the Navy submits a revised DD 1391 form that accurately reflects space requirements and costs.

We generally agree with the audit findings and recommendations and will place the funds associated with the project at issue on administrative withhold pending audit resolution. Further, any savings resulting from the audit will be programmed to other valid Base Realignment and Closure requirements as appropriate.


B. R. Paseur
Director for Construction

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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